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Cities of Alberta



Submission
to
The Royal Commission
on
Dominion-Provincial
Relations

JANUARY, 1938

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CITIES OF ALBERTA

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SUBMISSIONTOTHE ROYAL COMMISSIONONDOMINION - PROVINCIAL RELATIONS

Prepared under the direction of
Mayor John W. Fry, Edmonton,
(Chairman of Committee of Mayors)

- By -

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JANUARY - 1938

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SUBMISSION OF THE CITIES OF ALBERTA

TO

THE ROYAL COMMISSION ON DOMINION-
PROVINCIAL RELATIONS

1. INTRODUCTION

The Cities of Alberta welcome the opportunity of submitting a Brief in respect to their varied problems of Finance and Taxation to the Royal Commission. They are gratified to learn that the scope of inquiry delegated to the Commission includes the financial relationship existing between Municipalities and the Provincial and Dominion Governments, and they are conscious that, insofar as the urban units of administration in Alberta are concerned, serious strains in that relationship have developed.

For a number of years the problems confronting the Cities of the Province have become increasingly acute, and have now reached a stage so alarming that adequate solutions must soon be found if fiscal disaster is to be avoided.

The matters now causing the deepest concern among City authorities and City taxpayers are mainly as follows:

1. The increasing cost of various Social Services now borne by the Cities, particularly in respect to Unemployment Relief and Education, and the unequal division of the cost as between the Dominion, Provincial and Municipal Governments.
2. The restrictive character of the Taxation Base now available to cities
3. The excessive burden of taxation which Real Property is at present compelled to bear.
4. The inflationary character of the assessment of Real Property.
5. The continued forfeiture of Real Property on account of non-payment of taxes, and the shrinkage in the taxation base resulting therefrom.
6. The alarming shrinkage in Real Property values largely due to excessive taxation.
7. The exemption from local taxation now enjoyed by an increasing number of non-property owners.

8. The social, political and economic consequences of the extension of municipal franchise to all adults without first having established a taxation system more closely related to the privilege granted.
9. The burden of funded and unfunded civic debt.
10. The menace to municipal solvency resulting from the conditions above described.

On December 1st, 1933, the Provincial Government appointed The Alberta Taxation Inquiry Board, and in Chapter 34 of its Report (a copy of which is submitted as Exhibit "A") the following conclusion in regard to the problem of taxation is stated:

"The Board holds the view that no satisfactory readjustment of the tax problem can be effected until an agreement has been reached between the three taxing authorities-Dominion, Provincial and Municipal - as to their respective obligations. The fiscal problems of these authorities are closely related and interwoven, and should be solved as phases of the same problem rather than as separate and unrelated issues."

In the view thus expressed the Cities of the Province fully concur and hope that it will meet with the general acceptance of the Royal Commission itself.

The Cities on whose behalf the present Brief is submitted are as follows:

<u>CITIES</u>	<u>POPULATION</u>
Edmonton	85,470
Calgary	83,304
Lethbridge	13,512
Medicine Hat	10,300
Red Deer	2,344
Wetaskiwin	2,125
Drumheller	<u>2,987</u>
TOTAL	<u>200,042</u>

The combined population of these seven Cities represents approximately 26% of the population of Alberta, which now stands at 780,000.

In varying degrees the problems of finance and taxation disturbing the Cities mentioned are similar in character, and solutions found applicable to one would no doubt be applicable to all. In the two large Cities, Edmonton and Calgary, these problems have in recent years become greatly intensified, and the main causes responsible for this condition are indicated more fully

2. TAXATION BASE OF ALBERTA CITIES

The Cities of Alberta derive their revenues from the following sources:

1. Land Taxes based on assessment of Real Property.
2. Business Taxes based on assessment of rental values of premises occupied.
3. Profits from Public Utilities.
4. Provincial Grants to Education, Hospitals, Public Library, and other Social Services.
5. Provincial Grant in lieu of Service Tax abandoned by the Cities in 1932.
6. Licenses, Departmental Revenues, and Miscellaneous.

Assessment of Real Property

Previous to 1918 the Cities of Edmonton and Calgary assessed Real Property on the basis of the Single Tax, buildings and improvements being exempt. As an indication of its inflationary character, the assessment of land in Edmonton in 1914 stood at \$191,283,970. In the same year the land assessment in Calgary stood at \$180,000,000. These values reflect the peak of the real estate boom. By 1937, as a result of progressive reductions, Edmonton's land assessment had shrunk to \$24,018,515 and Calgary's to \$23,241,410. The process of deflation has not yet ceased.

In 1918 the Single Tax principle was abandoned by these Cities, and their Charters now direct that "land shall be assessed at their fair actual value", and buildings and improvements at from 50% to 100% of value. In Edmonton the rate applied to buildings is 50% of the value of dwellings and 60% of business premises. In Calgary the rate is 50% both of dwellings and business premises. In Lethbridge and Medicine Hat the percentage assessment is 66 2/3rds of the estimated value of all buildings.

Assessment based on Capital values

A true picture of the Taxation Base possessed by the Cities of the Province cannot be seen without reference to the fact that the Assessment of Real Property is made on the principle of "Capital Value" rather than that of "Revenue-producing Value."

Despite the adoption of a policy of progressive deflation in recent years the peak assessment of business sites in Edmonton and Calgary - these being 50' x 150' corner lots - now stands at \$2,700 per foot frontage, or \$225 per inch frontage. Relatively a similar situation exists in the Cities of Lethbridge and Medicine Hat.

Real Property Exemptions

An analysis of Real Property in the Cities now exempt from taxation reveals a situation that requires consideration of the three taxing authorities. These exemptions are equal roughly to one-third of the total assessment, and they constitute a large part of complaint. It needs to be emphasized that exemptions from taxes are in fact a bonus, and that the loss of revenue resulting therefrom has to be worked by the local taxpayer.

The statutory exemptions in force in the City of Edmonton now stand at a total value of \$37,654,000, and in the City of Calgary at \$18,028,000. In each of these Cities properties owned by the Provincial and Dominion Governments have an estimated value in excess of \$5,000,000.

An examination of the data submitted herewith cannot but lead to the conclusion that the services rendered to these properties by the Cities, including police and fire protection, entitle them to a substantial cash contribution from Federal and Provincial sources.

It may be noted that while Crown properties in the British Isles are usually exempt from taxation, the Crown makes an ex gratia contribution to the Local Authority in lieu of rates, the amount being generally equivalent to what would have otherwise been levied. It should be also pointed out that the Provincial Government also enjoys exemption from the Business Tax on premises used by it for the purpose of carrying on various business enterprise of a profitable character.

Forfeited Lands due to Non-payment of Taxes.

As at December 31st, 1936, the total number of parcels of land forfeited to the City of Edmonton stood at 56,743, the assessed value being \$10,279,032.

The total lots contained within the City limits of Edmonton are 110,000.

this it will be seen that the physical basis of taxation available to the City has now shrunk to 53,257 lots.

In the City of Calgary a similar situation prevails, 75,000 parcels and 3,000 acres of unsubdivided land having an assessed value of \$5,249,000, with tax arrears totalling \$4,091,693 have been forfeited to the City for non-payment of taxes.

The City of Lethbridge is in a similar position, in that over 50% of the subdivided lots reverted to the City at Tax Sale, with a total assessed value of \$1,144,760, resulting in a loss to the City of \$216,236 in taxes.

While the lands forfeited are largely located outside the thickly settled portions of the City, valuable properties centrally located are now being forfeited to an increasing extent, and this process, unless checked by appropriate action, is bound to continue at an accelerated rate. As at this date the total number of home properties taxed in Edmonton stands at 1930.

A similar situation exists in other Cities of the Province. More than half of the total land located within the limits of each City has been forfeited, and thousands of City taxpayers contemplate with alarm the possibility of a like fate befalling the properties to which they have so far been able with difficulty to retain ownership. The peril of ultimate forfeiture is dealt with more fully in the accompanying Addenda.

Alarming Shrinkage in Number of Burgesses.

A disturbing feature of the present tax structure of the Cities is to be seen in the steadily diminishing number of burgesses. As an instance of this, out of a population of 95,470, the total number of taxpayers residing in the City of Edmonton in 1936 amounted to 14,023. This is less than half the number in 1929. These 14,023 taxpayers constitute 16.4% of the total population, and 28% of the Civic Electors which, in 1936, stood at 50,434.

It is illuminating to note that in 1936 the surviving taxpayers in Edmonton were required to contribute to the City and to the Province a total of \$3,462,237, which is equal to \$212 per taxpayer, \$64. per capita of the adult population, or \$40 per capita of the whole population of the City. It should

also be pointed out that in the same year 6,000 names were added to the voters' list in the City, while the number of burgesses was actually less than in the previous year.

In the case of the City of Calgary it may be further noted that of a population of 83,304, and a voters' list of 56,462, the number of local taxpayers in 1937 stands at 12,147. Furthermore, the number of non-resident taxpayers in 1931 stood at 3,766, while in 1937 the number had diminished to 2,332.

A like condition exists in Lethbridge so far as shrinkage in the number of non-resident and resident taxpayers is concerned.

Proportion of financial requirements borne by Real Property

Despite the attenuated Tax Base now possessed by the Cities, Real Property is compelled under the present system to provide from 90% to 90% of the total cash requirements of the Cities of Alberta. This is represented by the following mill rates levied in 1936.

<u>CITIES</u>	<u>MILL RATE, 1936</u>
Edmonton	55
Calgary	56
Lethbridge	43.10
Medicine Hat	43.50
Drumheller	60
Red Deer	40
Wetaskiwin	33

In this connection it should be pointed out that the rate in Edmonton in 1934 stood at 64 mills, and that in 1936, while the levy imposed was 55 mills, an adequate levy for that year would have required no less than 76 mills. In 1935 the Calgary rate was 70 mills.

In striking the rate of 55 mills for the 1936 levy in Edmonton, its inadequacy was frankly recognized by the City authorities, but it was felt that a rate in excess of that figure would be deeply resented by the tax-paying public, and that, if imposed, a critical situation in respect to City finance would rapidly develop.

The balance of the financial needs of the Cities is derived from the various sources already indicated.

From the facts now disclosed it will be seen that in the presence of expanding needs the taxation base of the Cities is progressively shrinking to a point that can hardly be described as other than calamitous. Among City taxpayers there is a growing attitude of revolt against imposts that have become to many intolerable, and appropriate remedies, if disaster is to be averted, is now an imperative necessity.

3. THE BURDEN OF UNEMPLOYMENT RELIEF

Among the Social Services which the Cities are obliged by law to provide is that of Unemployment Relief. Its ever increasing cost has reached a stage which cannot be described as other than perilous. Among City taxpayers it is causing the gravest anxiety. Thousands cannot wholly meet the tax demands which this service involves. Many are losing their properties owing to non-payment of taxes, and the process continues. Among Real property owners a sense of social injustice resulting from the imposition of this abnormal burden mainly upon one type of wealth is daily becoming more acute.

The accompanying Addenda reveals in detail the extent of the burden now carried by the Cities of Edmonton, Calgary, Lethbridge and Medicine Hat. In the case of Edmonton the net expenditure on this service in 1930 amounted to \$37,658.66. By 1936 it had reached the sum of \$546,596.95. For the years 1930 to 1936 inclusive, the City's share of a gross expenditure of \$6,142,761.46 was \$2,518,805.31.

In addition to the cost of Direct Relief, the cost of other Social Services in 1936 amounted to \$388,814.58, this sum being \$100,000 in excess of the cost of the same services in 1929. In these figures for 1936, Old Age Pensions accounted for \$21,882 and Mothers' allowance for \$36,544.

In order to finance this service of Unemployment Relief, the City of Edmonton found it necessary to capitalize the burden of cost to the extent of \$1,200,000, the annual charges of which now amount to \$157,654. With this annual charge added to the City's share of cost, the total for 1936 stood at \$704,252 - a sum equivalent to 13 mills on the current assessment.

In the case of the City of Calgary the net cost of Unemployment and Indigent Relief in 1930 amounted to \$70,024. By 1936 it had reached a total for that year of \$751,544. For the years 1930 to 1936 inclusive Calgary's share of a gross expenditure of \$7,649,777 was \$3,062,439, of which only \$500,000 was capitalized.

In 1936 the total amount expended on Unemployment and Indigent Relief in the City of Calgary was also equivalent to 13 mills on the current assessment.

In the City of Lethbridge for the same year the cost of this service was nearly \$100,000, this sum being 42% of the City's total levy. Due to the fact that many workmen employed part-time in the local coal mines become applicants for relief during the summer months, this City finds itself in a position respecting Unemployment Relief peculiarly vulnerable.

Taking the City of Edmonton's burden in connection with this service as an example of a condition common to the larger Cities of the Province, the cost of Social Services amounting in one year to \$388,814 might well be regarded as a generous contribution from owners of Real Property, but, with the additional cost of Unemployment Relief of \$704,252, it can surprise no one that a sense of gross injustice among City taxpayers has become widespread, and a demand for early relief from this crushing burden insistent.

This sense of injustice is accentuated by the fact that while at the end of 1936 there were in the City of Edmonton, 10,700 people receiving relief, no less than 3,465 had come to the City from outside Municipalities and had gone on relief since 1930.

From January 1st to August 1st of the present year 332 families, totalling 1,028 persons, from outside municipalities, have become recipients of City Relief. This condition also exists in the City of Calgary. As at 31st December, 1936, the total number of persons on relief in this city stood at 11,218 of whom 3,474 had come into the City since the year 1930.

The injustice felt by the taxpayers of the cities becomes still more acute when the enormous cost of Unemployment Relief is viewed in relation to the restrictive character of the Cities' taxation base. The burden is carried almost entirely by the owners of Real Property, and these, as already stated, are a steadily diminishing number. The shrinkage in value of Real Property resulting from this and other onerous impositions can be calculated

in millions of dollars, and is tantamount to a capital levy destructive of real estate equities.

In view of the fact that the matter of Unemployment Relief is now engaging the attention of all Governments throughout the Dominion, it would be a mere reiteration of the obvious to say that the financing of this social service has assumed such proportions as to make it beyond question a national rather than a local obligation, and further delay in dealing with it as such is bound to lead to an early collapse of municipal finance.

4. THE BURDEN OF COST OF EDUCATION

The financial needs of Edmonton's Schools in 1936 required a levy on Real Property amounting to \$1,423,475 and this involved a rate of no less than 27 mills. For that year the actual cost of this service was \$1,714,44. Towards this cost the School Staff contributed by way of salary reductions the sum of \$139,563 and the grant from the Province amounted to \$113,774. This grant, it should be noted, is approximately 7% of the total cost.

With respect to the schools of Calgary, the actual cost of the service of education in the same year amounted to \$1,310,000. The grant from the Province totalled \$100,846, which represents a percentage contribution similar to that of Edmonton.

Schools in Lethbridge take 42 cents out of every dollar collected for taxes as will be seen from the schedule in the Addenda.

In the light of the growing appreciation of the national character of education, this trifling contribution to its support by the Province is one of the chief factors responsible for the strained relationship that has developed between the Cities and the Provincial Government.

The inadequacy of Provincial grants to Education is further emphasised by the fact that 93% of the cost, both in Edmonton and Calgary, is charged solely to Real Property. All other types of wealth escape. It is astonishing that the parochial notions responsible for this system have been permitted to handicap the service of Education so long.

It is usual to refer to wealth as belonging to two classes, tangible and intangible, and the Cities of Edmonton and Calgary provide the spectacle of the tangible class compelled to bear 93% of the cost of Education, while the intangible class escapes altogether. The obvious injustice of the present system of financing Education cannot be disputed. It is antiquated, inadequate, and wholly out of line with the methods adopted in other parts of the British Commonwealth, and appropriate remedies have become a matter of extreme urgency.

Grants to Education Elsewhere.

Throughout the English-speaking world the trend in the direction of larger grants from Central Governments in support of education is clearly evident, and recent figures obtained indicate the gradual abandonment of the primitive policy of leaving the financing of this service to the exigencies of local finance. In Great Britain grants from the National Government exceed 50% of the total cost. In South Africa local School Boards no longer exist. In New Zealand education is administered by the Department of Education, and primary schools are under the control of nine Educational Boards. In the United States grants from State Governments now average 30% of the cost. The inefficiency of dependence upon local support for the financing of education is now being widely recognized in that country, and many of the States are devising ways and means by which the basis of support can be broadened and strengthened.

Provincial Responsibility for Education.

The principle has wide acceptance that in any plan devised to finance education the Province should bear the major share of the burden. It is constitutionally responsible for this service, and determines its character which has much to do with its cost. In the matter of finance, however, it cannot be said that the Province has adequately met its unquestioned obligation. The present system reveals an absence of co-ordination between the Provincial Government and the Cities, and reflects a strained if not a distorted interpretation of the principle of "local autonomy" which experience and common sense alike cannot but condemn. While affirming the principle of Provincial responsibility for this service, the Cities do not decline to bear a reasonable share of the cost, but they strenuously object to the existing system that places the main load on the owners of Real Property.

Technical Education.

In 1919 the Federal Government passed an Act authorizing for a period of ten years the payment of Grants to Provincial Governments in aid of Technical Education. These grants were abandoned a few years ago. Representations

have since been made with the object of having them restored, but without success. In view of the fact that this type of education is closely related to the Trade and Commerce of the nation, and that modern social and economic conditions warrant its active promotion, it is widely felt that substantial grants from the Federal Treasury in support of Technical Education should now be made.

Burden of Cost with respect to Education and Unemployment Relief.

When consideration is given to the fact that in Edmonton the cost of the two Social Services of Education and Unemployment Relief in 1936 was equal to no less than 40 mills on the current assessment, in Calgary 36 mills, and in Lethbridge 30.7 mills, the conclusion is inescapable that the delegation of these services of a national character to local units of administration is wholly indefensible. No further argument is necessary to prove that without additional assistance of a substantial character from sources other than local, the maintenance of these services on the present level cannot possibly continue.

Two Schools of Thought

It is known that in the matters now under review there exists throughout Canada two main schools of thought. One is represented by a demand on the part of Municipalities for a substantial increase of provincial contributions to them by way of a share in the revenues of the Province derived from its income tax, amusement tax, motor licenses, gasoline tax and liquor profits. In this respect it must be said that if the Cities are compelled to carry the burden of the social services mentioned on the present level their claim to a share of the more liquid revenues of the Province rests on grounds beyond dispute.

The other school is represented by a growing demand that the cost of the national services of Unemployment Relief, Education, Old Age Pensions, Hospitalization, Mothers' Allowance, etc., be assumed by the Senior Taxing Authorities on the ground that the primary responsibility for the maintenance of these services rests on them.

Of the two solutions referred to, the Cities of Alberta have no hesitation in favouring the latter. Its adoption would not only greatly simplify the present disturbing problems of municipal administration, but would be in accord with principles of Local Government which have been permitted far too long to remain obscured.

An English authority has this to say concerning Local Government in the United Kingdom, and it should be equally applicable to Municipal Government in Canada:-

"Local Government is that part of the Government of a nation or state which deals mainly with such matters as concern the inhabitants of a particular district or place, and which it is thought desirable should be administered by local authorities, subordinate to the Central Government."

From the facts already disclosed it will be apparent that, insofar as the Cities of Alberta are concerned, extraneous functions involving oppressive costs have been delegated to them by the Senior Governments. Nor can anyone deny that the restricted taxation base at present available to these Cities cannot stand the strain of the excessive burdens thus imposed upon them.

With the object of removing the present menace to their financial integrity and future growth, the Cities hold that the solution of their problems can best be found in a reallocation of responsibilities, a redefinition and re-distribution of fields of taxation, followed by a reconstruction of civic finances which the revisions now suggested would make possible.

5. FUNDED AND UNFUNDED CITY DEBTS

The 1937 Report of the Provincial Department of Municipal Affairs shows that the Gross Funded Debts of the Cities of Alberta, as at December 31, 1936, amounted to \$65,657,741, with a total of \$25,172,735 in the various Sinking Funds. At the same date the total Unfunded Debts, mainly bank loans, stood at \$7,500,000. Of the gross debts the Cities of Edmonton and Calgary accounted for roughly \$58,000,000. The Net Debt of these two Cities stood as follows:

	<u>EDMONTON</u>	<u>CALGARY</u>
Net City Debenture Debt	\$ 20,798,993	\$ 11,293,840
" Public School Debt	<u>3,023,672</u>	<u>2,259,950</u>
	23,822,665	\$ 13,553,790
Unfunded Debt	<u>3,511,667</u>	<u>3,045,700</u>
	\$ <u>27,334,332</u>	\$ <u>16,599,490</u>

With increased taxation, the constant narrowing of the tax base, heavy bank overdrafts, under-levies, and failure to obtain further assistance from the Senior Governments, the Cities of Edmonton and Calgary by the end of 1936 found themselves facing a perilous situation. It was realized that in the event of failure on their part to secure an early easement of the accumulated burden, default in maturing obligations could not be averted.

Negotiations were therefore commenced with representatives of the Cities' Debenture Holders with the object of securing immediate relief, and an agreement between the parties was eventually reached and is now in operation. Full particulars of the "Plan of Adjustment" are contained in the accompanying Agenda and in Exhibits marked "E" and "G".

By the acceptance of the "Plan of Adjustment" which includes among its provisions the "right of call" of all outstanding debentures on any interest-due date, these two Cities are now in a position to take advantage of any other refunding scheme designed to reduce the interest burden at present

borne by them. The average rate of interest on the bonds of the City of Edmonton now stands at 5.2%, 4.83% in respect of the Calgary debt, and 4.87% on the debt of the City of Lethbridge.

While the Cities refrain from suggesting any specific solution of the problem of municipal debts other than to urge the need of a refunding scheme under the auspices of the Senior Governments, the following observations relative to the matter are submitted.

1. To a considerable extent the accumulation of civic debts is attributable to what has been aptly described as "the quagmire of local autonomy", and the implications of municipal functions arising therefrom.
2. One of the factors responsible for a part of the debts of the Cities is the delegation to them of services of a national character involving financial obligations beyond their capacity to meet. A single instance is the forced capitalization in Edmonton of \$1,200,000 in respect of the local cost of unemployment relief. It should also be noted that of the unfunded debt of \$3,511,667 the sum of \$1,518,000 is attributable to this service.
3. Notwithstanding the national character of education, the Cities have been required to provide costly school accommodation without any aid from the Government constitutionally responsible for this service. In the case of Edmonton this obligation alone is responsible for a debenture debt of approximately \$3,800,000, and in Calgary, \$2,341,680.
4. With the object of bridging the gap between the School Board's annual cash requisition of 100% of its needs, and the recurring deficiencies in tax collections, the City of Edmonton found itself compelled to capitalize arrears of taxes, the amount attributable to the financing of the schools being estimated to exceed \$2,500,000. The situation in Calgary became so acute that for the past few years the City has been compelled to adopt the policy of paying to the School Boards their percentages of the levy only as the taxes are collected.
5. A further adverse factor has been the necessity imposed upon the Cities to borrow funds in the open market at rates of interest in excess of what would have been charged had Government guarantees been available.
6. Extraneous obligations imposed upon the Cities without the provision of an adequate tax base have resulted in forced economies in ordinary municipal services, and in a large accumulation of deferred maintenance.
7. In the division between the three taxing authorities of responsibility for the financing of social services the principle should be accepted that no such services should be delegated to inferior taxing units until evidence of their capacity adequately to discharge them has first been established.

8. The problem of private debts is not unrelated to the problem of public debts, and it is felt that the benefits to rural debtors provided under the Farmers Creditors' Arrangement Act should be made available to urban debtors. The early dissipation of a widespread debt mentality has become an urgent social and economic necessity.

➤ The Cities of Alberta are conscious of the fact that their future growth and prosperity depend on the maintenance of their financial integrity, and they welcome the opportunity now afforded of submitting to the Royal Commission some of the factors which they hold to be responsible for their present dilemma. They trust that as a result of the investigation now being made a policy of readjustment will be evolved which will enable them not only to meet their contractual obligations but also effectively to discharge the functions of local government properly assignable to them.

6. DESTRUCTIVE EFFECT OF TAXATION ON REAL
ESTATE VALUES

The shrinkage in the value of real property resulting from excessive taxation is a factor in the economy of the Cities of Alberta that deserves immediate attention. In the case of Edmonton and Calgary the reduction since 1930 in each city can safely be said to be not less than \$15,000,000. The desire on the part of the public to purchase homes or any other real estate is almost non-existent. The preference is wholly in favour of renting. The social and economic effect of this definite trend cannot be regarded lightly. The building and allied trades are almost at a standstill. Interest in public affairs, usually associated with the ownership of homes, has declined, and no one is now disposed to purchase property even at distress prices. Confidence in real estate as security for loans has been shattered, and Mortgage Companies have ceased to accept new business in the Cities of the Province. It is of the utmost importance that a remedy be found for this deplorable condition.

The condition described is largely attributable to the heavy burden of taxation now imposed upon real property, and this is caused by the ever-increasing cost of the various Social Services which the Cities, since 1930, have been called upon to bear. It is hardly necessary to say that a transfer of these extraneous burdens to those authorities logically responsible for them would at once result in substantial relief to the present overburdened City taxpayer, and a rapid recovery in real estate values. Confidence in the safety of investment of money in homes would be re-established and the building trade would again become active.

In this connection the following statements by well-known Taxation Authorities are worthy of note:-

"Land values may be destroyed by taxation, and, other things being equal, every change in taxation results in a proportional change in land values." - Prof. T. Ely.

"The increasing taxation on 'capital value' is certainly a most effective method of cheapening land, and of obtaining its nationalization or municipalization." - Prof. A. B. Clark.

Among the representations made by the City of Vancouver to the

Harper Commission are the following:-

"The services which our municipal governments are called upon to perform may be classified into two distinct classes, namely, 'specific or local', and 'general or national.' Services in the first class have a close relation to real property, and the taxation of real property is logical and equitable. Services in the second class are not necessarily identified with real property, and should be supported from the widest possible source of taxation, being taxation other than that of realty alone."

Attention is also directed to the following recommendations contained in the Harper Report:-

"That real property should assume the burden of beneficial taxes. The community as a whole should bear the burden of onerous taxes."

"That social services should not be a charge upon land."

"That unemployment relief is not a burden which land should carry."

With these observations the Cities of Alberta find themselves in complete agreement, and they hold that appropriate action, designed to relieve the present burden on real property, has become an imperative necessity.

7. MUNICIPAL - PROVINCIAL RELATIONS

The relations existing between the Cities and the Provincial Government are in some respects not conducive to an orderly and efficient administration of civic affairs. There is an apparent absence of common interest which has become an impediment to progress. A clearer appreciation of the fact that the interest of each is closely related would help to solve many of the problems now confronting civic administrators.

Recent negotiations regarding the Funded Debts of Edmonton and Calgary is a case in point. While these debts should properly be treated as an integral part of the Provincial debt, the Government had little to do with the efforts made to effect an easement of the burdens which had brought both Cities to the verge of fiscal collapse. A refunding scheme, backed by Government guarantees, might have resulted in greater relief than that which was obtained by way of individual negotiations.

Another effect of the absence of intimate contact between the Cities and the Province is seen in connection with the Equalized Assessment made for the purpose of the Social Service Tax imposed by the Province. This tax is levied solely upon land, buildings and improvements being exempt. In 1934 the equalized assessment fixed for Calgary and Edmonton was \$32,000,000 each, on which a levy of 2 mills had to be made. In 1936 this tax was increased to 3 mills, with the Provincial Government assuming additional responsibility in respect of tubercular patients and Mothers' Allowance. It should be noted, however, that in order to bring land values to conform more closely to the principle of "fair actual value" the local assessment has been steadily shrinking, so that at this date the land assessment in Edmonton is roughly \$24,000,000, and in Calgary, \$23,250,000.

The effect of these reductions is that to raise a sum equal to three mills on \$32,000,000 a levy of 4 mills has to be made in Edmonton, and one of 4.33 mills in Calgary. From these figures it will be seen that the shrinkage in the local assessment of these Cities is not reflected in a corresponding reduction in the assessment made for the purpose of the Provincial Tax. In this connection it may be said that a closer integration of interest would make the argument in favour of the abolition of this tax unanswerable.

While it is hoped that as a result of the present inquiry the Dominion Government will assume a larger share of the burden of certain Social Services now borne by the Province and the Cities, an adjustment of Municipal-Provincial relations in matters of assessment and taxation, undertaken in a spirit of cooperation and in recognition of common interest, would result in a more equitable distribution of the present burden.

Need of a Provincial Tax Commission

Competent authorities on Provincial and Municipal administration have long held the view that coordination can best be attained by the creation of a Provincial Tax Commission possessing supervisory powers in connection with assessment and taxation. Until some such machinery has been brought into being, both authorities will continue to experience uncertainty and confusion with respect to such matters as the equitable distribution of the tax burden, their respective fields of taxation, the administration of imposts now in force, and in formulating either new levies or in recommending the abandonment of old ones.

Tax Commissions have existed in the United States for many years, and have proved to be of great value. In his book entitled "The State Tax Commission", Professor H. L. Lutz, of Princeton University, makes the following comment:

"The last twenty five years have witnessed a remarkable change in American tax administration, the development of State supervision and control of the assessment of property for taxation. Tax Commissions are found in 35 States. The tendency towards administrative centralization has been widespread, and has influenced the course of development in many fields of Government activity. The value of a certain degree of administrative centralization in taxation has already been so completely demonstrated that the Tax Commission must be accepted as a permanent organ of State Government, the services of which will be essential to the successful operation of almost any substitute for the present tax system."

The need of a similar body in Alberta cannot be questioned. In days gone by, when circumstances affecting the economic life of municipalities were less complex, isolated action on their part had few undesirable repercussions, but a greater degree of centralized control has now become essential to the efficient administration of public affairs.

The impressive success of Local Government in the British Isles is acknowledged by the best authorities to be largely due to a balanced blend of local autonomy and centralized administration, and there are sound grounds for the belief that the defects so obvious in the administration of local affairs in Canada could be substantially remedied by a closer copying of the British example.

8. GENERAL OBSERVATIONS

In the Introductory Chapter the view is expressed that in the relationship existing between the Cities of Alberta and the Governments of the Province and the Dominion "serious strains" had developed. Subsequent chapters are designed to show the main grounds upon which that statement rests. It is felt that a few further observations of a general character would not be irrelevant.

Behind the demand for Tax Reform is the conception that the division of Canada into Provinces, and the subdivision of the latter into municipal units, was primarily designed to ensure efficient and economical administration of public affairs. Due to changing social and economic conditions, the machinery created to attain that end has become warped, inefficient and out of date, and the correction of the defects which experience has disclosed has become a matter of vital importance to the Cities of Alberta.

There are many factors other than those already mentioned that affect the economic life of the West. It must be remembered that the Cities of Alberta are only 30 to 40 years old, that they are located in a pioneer territory, and that their progress and prosperity have been adversely affected by violent fluctuations both in production and price of the primary products upon which the economic life of the Province as well as the Cities depends. Subject as they have been to this condition, it is hardly necessary to say that periods of depression strike these Western Cities with an impact much more severe than is the case in older and more settled communities.

Extreme variability of income on the one hand, and the static character of their debt charges on the other, greatly accentuate the difficulties confronting municipal units in their desperate efforts to meet the increasing cost of the various Social Services imposed upon them by the Federal and Provincial Governments.

In addition to the factors mentioned, the conviction is general that the West has been and continues to be the victim of a National Trade Policy which has the effect of increasing the price of everything the people have to buy, while prices obtained for their own products are subject to the influence of world competition. Since the present depression started wheat in Alberta has sold as low as 20¢ per bushel and eggs as low as 5¢ a dozen.

The effect of the National Trade Policy on individual Provinces was recently examined by the Hon. Norman Rogers who showed that the annual contribution of the people of Alberta in respect to it was roughly equal to \$26 per capita. It is doubtful if the acquiescence of the West in a Protective Policy, clearly injurious to its own economy, but of probable benefit to the Dominion as a National entity, has been adequately recognized.

With both Federal and Provincial Governments tapping the liquid resources of the Cities and leaving the Cities themselves to extract their own financial needs from sources far less liquid, a situation has developed that bears the marks of maladministration and economic injustice. A "capital levy" on the homes of the people to raise funds for purposes other than those beneficial to them, without regard to the principle of "ability to pay", is so clearly unjust that the demand for its discontinuance can surprise no one. It is a demand that must be met.

In the brief submitted in 1934 to the Alberta Tax Inquiry Board, Mr. L. W. Brockington, K. C., speaking on behalf of the City of Calgary, had this to say:-

"It is admitted that the difficulty of adjustment between the City and the Province is not dissimilar from and may be to some extent dependent upon adjustments between the Province and the Dominion. Both the Province and the City have been led through the quagmire by the will-o-the-wisp of autonomy. Municipal autonomy has long since been strangled by the taxation system. Under prevailing conditions autonomy should not be predicated upon the ability to extract money from sources that are presently impoverished, but should consist in the power of decision as to how money originating from equitable sources of taxation should be economically expended having regard to the special needs of a locality."

The impression prevails that the present relationship between the Federal, Provincial and Municipal Governments regarding the division of the burden of Social Services is somewhat analogous to an unequal contest between a "heavy-weight" champion, a "middle-weight", and a "light-weight", with the City taxpayer offering a vigorous protest against what he conceives to be the absence of British fair-play.

It is hardly an exaggeration to say that, as a result of the burdens under which they now stagger, the larger Cities of the Province are fast acquiring the aspect of administrative "hunchbacks", and the early removal of the obstacles to their future growth and prosperity has become an urgent necessity.

9. RECOMMENDATIONS

The Cities of Alberta now respectfully submit a number of recommendations which, it is believed, would do much to remedy the conditions with which they are at present afflicted.

As to Unemployment Relief and other Social Services-

1. That in the matter of costs of Unemployment Relief and such Social Services as Hospitalization, Health and Welfare Services, the Cities be relieved of the present burden, and that it be assumed, both as to administration and finance, by the Federal Government.

2. That while affirming the principle of Federal responsibility for Unemployment Relief and the other Social Services referred to above, the Cities be held responsible during a transitional period for a contribution of an annual sum not in excess of 20% of the total cost of these services.

As to the Financing of Education

3. That while affirming the principle of Provincial responsibility to maintain the service of Education, the Cities realize the difficulties involved in effecting an immediate radical change in the system now in force. In view, however, of the situation now disclosed, the Cities urge that a policy of increased grants be at once adopted by the Provincial Government, commencing with an additional 10% of the total cost, and leading by progressive stages to an ultimate equal division of the burden between the Cities and the Province.

4. That in view of the close relation of Technical Education to the Trade and Commerce of Canada, this type of national service be promoted by the Federal Government in the form of annual grants-in-aid.

As to the Funded Debts of the Cities

5. That consideration be given by the Federal and Provincial Governments to a Refunding Plan of the Debts of the Cities of the Province, with the object of diminishing the present burden of interest rates, and securing by appropriate measures a substantial easement of the existing load.

6. That the Cities of the Province be credited by the Federal Government with all monies expended both by way of capitalization and cash outlay since 1930 in connection with Unemployment Relief.

As to matters of Taxation

7. That the Municipal levy on Real Property be limited to the cost of services beneficial thereto.

8. That services that benefit persons, either as individuals or as a community, be paid for by personal taxes.

9. That premises used by the Province in profit-making enterprises be made subject to the Business Tax imposed by the Cities.

10. That exemptions now enjoyed by the Federal and Provincial Governments with respect to properties owned by them be withdrawn, or in the alternative that grants in lieu of taxes equivalent to what would otherwise have been levied be made to the Local Authorities by the respective Governments.

11. That in future no additional Social Services be imposed upon the Cities by the Superior Governments without adequate provision first being made by them for the financing of such services.

In conclusion, the Cities of Alberta desire to emphasize an aspect of their problems which they feel has not in the past received sufficient recognition. They claim that in the national task of the colonization and development of this section of the Dominion they are partners with the Federal and Provincial Governments in a common cause, and they are convinced that only in the light of that relationship can the problems with which each is confronted find satisfactory solutions.

All of which is respectfully submitted,

J. H. FRY
Mayor of Edmonton

A. DAVISON
Mayor of Calgary

D. H. ELTON
Mayor of Lethbridge

Daily Dose

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